G 31/987

Foreign Labor Trends

Federal Republic of Germany

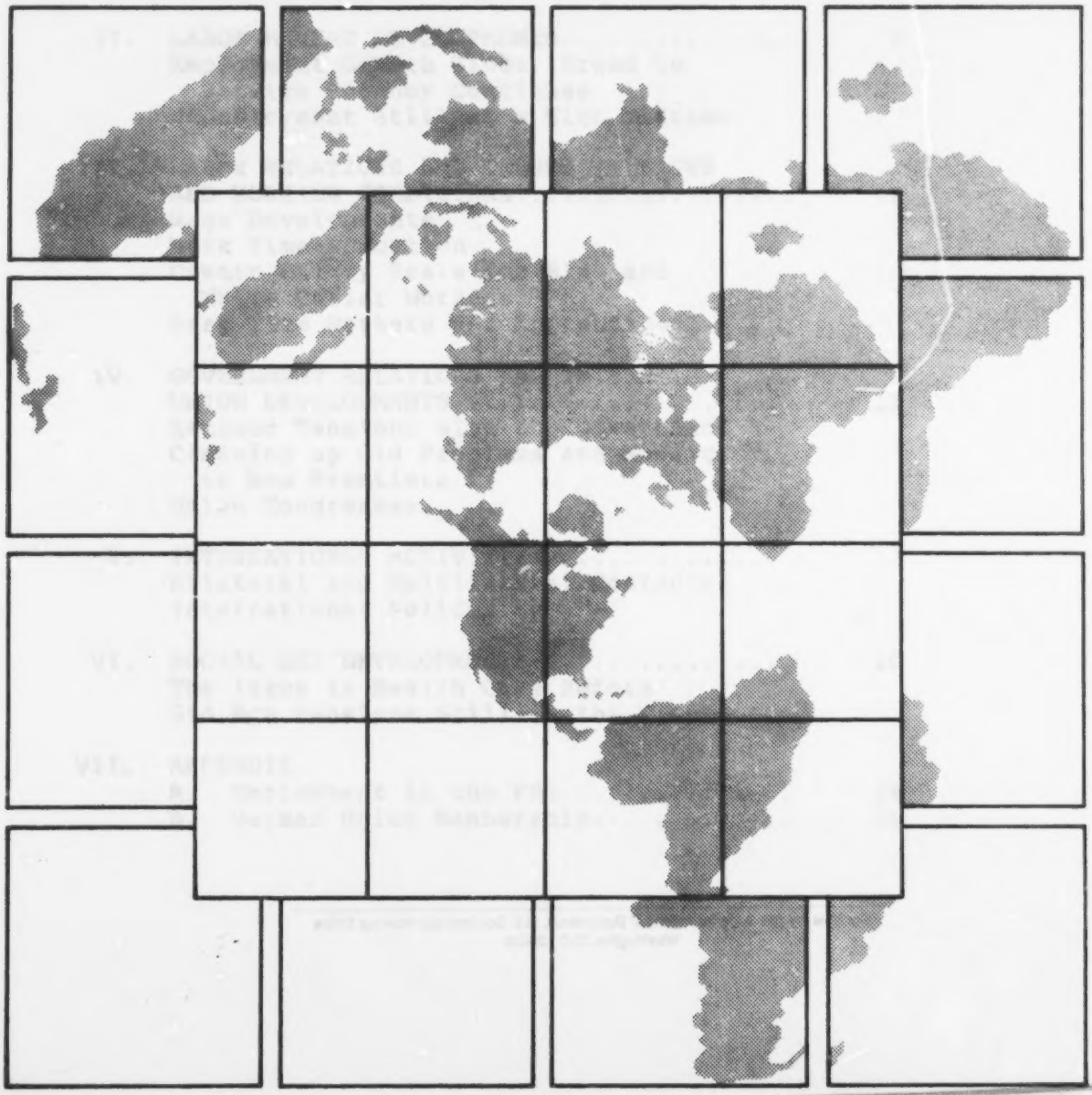
Released by
U.S. Department of Labor
Bureau of International Labor Affairs

Prepared by

American Embassy
BONN

1987

FLT 89-6
Frequency: Annual
Supersedes: 87-25



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LABOR TRENDS IN THE FEDERAL REPUBLIC OF GERMANY - 1987

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KEY LABOR INDICATORS, 1987

1. Population: 61,170,500 (estimate for June 1987)

2. Civilian Labor Force: 27,700,000 (average for 1987)

3. Unemployed: 2,229,000, (average), about 15 times higher than in 1970, with an unemployment rate of 8.9 percent

4. Civilian Employment: 25,471,000 persons (estimated average), including self-employed and family-aides, 0.7 million persons less than 1970

5. Dependent Workers: 22,207,000 on civilian payrolls (estimated average)

6. Women Workers: 39.4 percent of the labor force, compared with 36 percent in 1970

7. Foreign Population: 4,630,200 in December 1987, compared to 2,976,500 in 1970

8. Foreign Workers: 1,588,900 in June 1987, compared to 1,807,000 in 1970

9. Union Membership: 9.344 million total, 7.76 million of them in the German Trade Union Federation (DGB), with union membership constituting about 41 percent of the union-eligible labor force

10. Average Pay of Industrial Worker: 712 DM per week. Hourly gross average wages were 17.68 DM

11. Average Work Week for Industrial Worker: 40.2 hours in 1987, compared to 43.8 in 1970

12. Strikes and Lockouts: 33,325 working days lost in 1987

I. SUMMARY AND INTRODUCTION

The year 1987 brought no relief from the Federal Republic of Germany's high, eight to nine percent unemployment rate, assuring unemployment its place in the opinion polls as the country's number one problem. A marginal decrease in the average monthly unemployment rate, from 9 percent in 1986 to 8.9 percent in 1987, was offset by a noticeable upward trend in the number of unemployed during the second half of 1987.

The main business of the unions last year was collective bargaining with major agreements concluded in metal working, steel, auto, coal, construction, chemicals, and the public sector. The outstanding features of the bargaining were the continuing trend toward multiyear contracts and the prevalence of reductions in the work week. The Metal Workers' Union (IG Metall) again led the way in work time reduction with a three year contract that provides a 37-hour week beginning in 1989. In addition, the Chemical Worker's Union (which also joined the parade to a shorter work week) achieved a common job classification and pay scale for blue and white collar workers.

German unions were increasingly concerned about structural changes in the country's economy and government attempts to deregulate or privatize certain industries. Following a series of mass protest actions in the economically troubled Ruhr region, a government-labor-management agreement was reached permitting consolidation of several steel operations and providing new jobs or supplemental benefits to workers adversely affected. The unions strongly opposed a government plan to split up the state-owned post and telecommunications monopoly and open some of its operations to private industry. Government assaults on existing strict shop-closing laws and the codetermination system also met strenuous opposition from labor. (All of these issues remained unresolved well into 1988).

The coalition government's postelection pledge to reform the increasingly costly health care and pension systems also precipitated a series of government-labor confrontations. Proposed tax reform legislation provided another contentious issue between the unions and the Kohl government. (By June 1988 draft health care and tax legislation was still being hotly debated; a draft pension reform bill had not yet been submitted to the Parliament).

The German Trade Union Federation (DGB) and its affiliates continued their extensive involvement in international labor affairs throughout 1987. In addition to maintaining their

close cooperative bilateral and multilateral relations within the free trade union movement, German unions expanded their contacts with labor organizations in the East Bloc and the People's Republic of China. German unions focused on the potential impact which the European Communities (EC) integrated market, scheduled for 1992, could have on labor and working conditions in their country. They were active in efforts to protect labor rights and conditions undertaken by the European Trade Union Confederation (ETUC). (DGB President Ernst Breit was reelected ETUC President in May 1988.)

This report reviews developments under the broad headings identified in the table of contents. Each of these sections begins with a brief summary of developments. While the report primarily covers calendar year 1987, significant developments in early 1988 relating to issues covered in the report are noted in parentheses.

II. LABOR MARKET DEVELOPMENTS

Overview

In 1987 politicians, union leaders, and employers were increasingly concerned and seemingly unable to alter the fact that between 8 and 10 percent of the work force in one of the world's richest countries were unemployed and dependent on unemployment benefits or general welfare, or in an increasing number of instances did not receive any public benefits. The fifth consecutive year of a solid economic upswing -- with real gross national product (GNP) up 1.7 percent, productivity 1.9 percent, and only a slight increase in the inflation rate (plus 0.2 percent) -- added about 177,000 additional jobs to the payrolls. Still a substantial reduction in registered unemployment was not achieved in 1987 nor was any hope for substantial reduction in sight. Average annual registered unemployment increased slightly by 800 to 2.229 million. Due to increased employment, however, the unemployment rate decreased from 9 percent in 1986 to an annual average of 8.9 percent in 1987. This favorable annual average veiled a negative trend that emerged in the second half of the year. While monthly unemployment for the first six months was lower than the corresponding periods in 1986, unemployment figures for the second six months regularly exceeded those of the respective months in 1986. A similar negative trend was reflected in monthly employment growth. While employment went up by an average of about 250,000 per month during the first half of the year, the increase slowed to about 90,000 per month in the fall and winter months.

Employment growth slows, trend to service economy continues

The structural change from an industrial to a service economy continued in 1987. According to the Federal Statistical Office, the additional 177,000 jobs created in 1987 lifted overall employment by 0.7 percent to an annual average of 25.971 million. The number of dependent employed persons rose by 180,000 to 22.707 million, and the number of self-employed increased by an estimated 0.2 percent to an annual average of 2.426 million. Nearly all of the additional jobs were created in the service sector (up 202,000), more than compensating for losses in agriculture and goods producing sectors where about 48,000 jobs were lost over the year, the latter due primarily to the continuing decline in the construction industry (minus 22,000 jobs).

Two other long-term employment trends continued in 1987. The number of white collar jobs increased further by 290,000 (or 2.5 percent) over the previous year to 10.203 million, while blue collar jobs declined by 102,000 (0.7 percent) to 10.084 million. Differentiated by gender, the number of working men rose by 0.3 percent, while the number of women workers increased by 1.4 percent. Women also benefited the most from the continuing trend to a service economy. According to the statistical office, 69.2 percent (or 1.123 million) of the 1.623 million jobs created in the service sector between 1974 and 1987 were filled by women. During the year 1987 the growth of employment slowed. While employment growth in the first quarter of 1987 exceeded the comparable period of 1986 by 1 percent, the increase dropped to 0.4 percent for the fourth quarter, reflecting a slump in the goods producing sector, where about 32,000 persons lost their jobs.

For the first time in six years, the dual system of vocational training reported a surplus in apprenticeship training slots as numbers of applicants declined. At the beginning of the training year in October, 546,400 vacant training slots were reported (a plus of 35,000 or 6.8 percent over 1986). In turn, the number of young persons seeking apprenticeship training declined by 50,200 (or 7.9 percent) to 589,200, heralding the end of the baby boom generation.

During the year, the Kohl government continued its "active labor market policy" approach, focusing its efforts particularly on the supply side by encouraging more skills training and early retirements or reduce the number of older jobless workers.

In addition, to improve job opportunities for dislocated or laid-off workers (half of the registered unemployed lacked skills and were hard to place) the government, together with the employers, continued the so-called "skills qualification campaign" (started in 1986) of increased training and retraining programs and stepped-up subsidized job creation measures under the "Employment Promotion Act". Tailor-made programs addressed skills-short groups such as unemployed youth, older jobless workers, and women entering the labor market. The Federal Employment Institute spent over 14 billion DM under its various programs, an increase of about 2 billion DM over 1986.

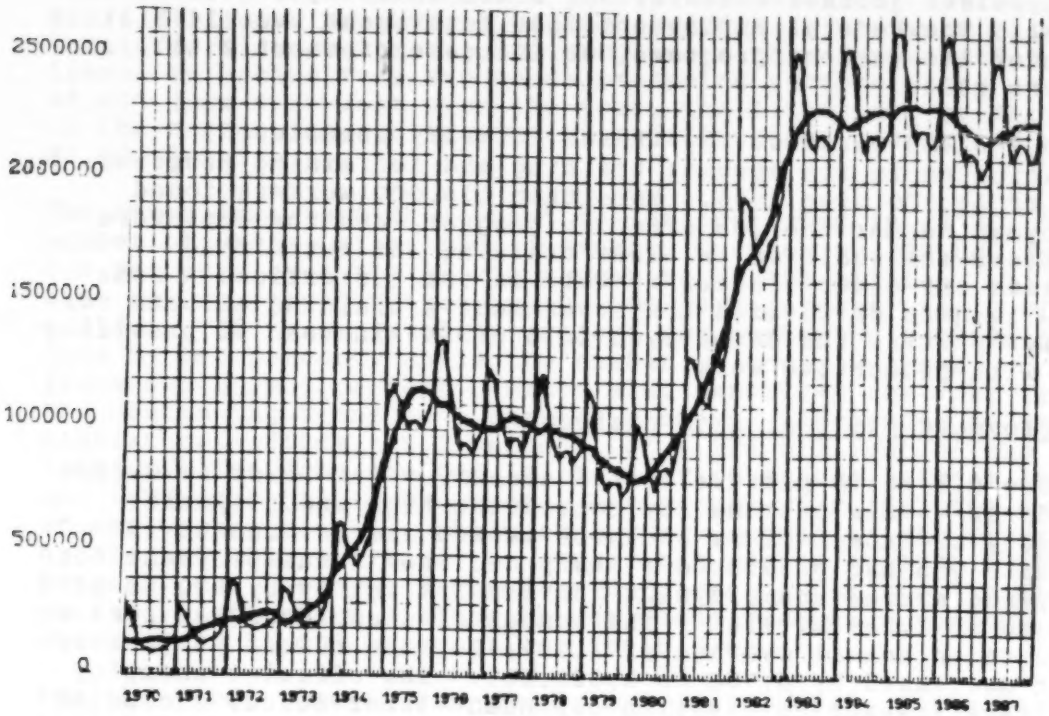
About 596,400 persons, two-thirds formerly unemployed, participated in its special training and retraining programs, a plus of 66,300 over 1986. More than 136,000 workers found employment under the job creation program, and the employers increased the scale of in-plant training and retraining programs for older workers as well as for apprentices. Some union leaders criticized the government's training efforts for merely "putting the unemployed into orbit" instead of providing them with productive work.

Unemployment still at high plateau

The overall solid picture of the economy -- at least by German standards -- was darkened by continuing high unemployment. Contrary to expectations of labor market and government experts, who had predicted a sharp decline in unemployment for 1987, registered unemployment increased slightly by 800 to an average of 2.229 million. The number of unemployed men rose by 7,400 to an annual average of 1,207,400, the number of jobless women decreased by 6,700 to 1,021,400. The official unemployment rate (measuring civilian dependent labor force, excluding self-employed) inched downward from 9 percent in 1986 to an average 8.9 percent last year. (When measured by the Organization for Economic Cooperation and Development (OECD) as part of the total labor force including the self-employed, family helpers and military personnel, the unemployment rate averaged 7.9 percent in 1987.)

The following graph shows the trend in 1987, and since 1970.

TOTAL REGISTERED UNEMPLOYMENT, WEST GERMANY, 1970-1987
(darker line: seasonally adjusted data)



Source: Federal Employment Institute press bulletin, 1/8/88

Since the recession in 1981-82 about 750,000 additional jobs were created. This large employment gain, however, failed to produce a comparable decline in unemployment. In addition to two factors (an increasing number of adult women and the baby boom generation entering the work force, which have been cited in previous years as the major causes preventing a decline in unemployment), labor market experts noted a constantly accelerating rationalization that has caused a surplus of skilled workers in some industries, especially in the old smokestack industries. Particularly hard hit were the steel industry, hard coal mining, construction, ship building, and rail transport, where several tens of thousands of workers either lost their jobs or were threatened with layoffs during the year.

During 1987, the steel crisis mushroomed into a major political problem involving the Federal Government, the state government of North Rhine-Westphalia, organized labor, and employers. Following a series of talks and conferences since the beginning of the year, a rescue plan for the ailing industry was hammered out in the fall. Government, management, and unions agreed on a plan to stave off job losses in the industry at least until the end of 1989, thereby saving an estimated 35,000 threatened jobs. The industry will receive about DM 600 million from the Federal Government, the states and the EC. As their part of the bargain, employers pledged to implement early retirement schemes, retrain workers, and provide new jobs to replace those slated to be cut. Still, employer representatives indicated that they were not guaranteeing that these measures would completely offset layoffs that might still be necessary after 1989. In a year-end interview in the biggest daily economic newspaper, "Handelsblatt", EC Vice President and steel commissioner Narjes fueled the ongoing discussion by warning that German steel might suffer an additional 80,000 job losses by 1990. Dismissing the notion that the German steel industry has suffered more than that in other EC countries, he cited extensive layoffs in Britain and France.

In view of the high plateau of unemployment, DGB leaders tried to gain government support for their constantly repeated call for public investment programs to promote job creation. Although the Kohl government had cold-shouldered union demands for public programs to generate "self-sustainable jobs" until the fall of 1987, the stock market break and the dollar depreciation prompted some discussion within the coalition about active measures to stimulate the economy. At year's end, when unemployment continued its upward trend, the government decided to implement a modest investment promotion program by providing subsidized loans for investments in municipalities,

and small and medium size firms. It is still too early to assess the impact of this program, as well as a union campaign to generate jobs by intensifying pressure on employers to cut back on overtime. While some works councils (whose approval is required before overtime can be worked) have fully ignored the union leaders' appeal, others negotiated compromises with management on reduced overtime quotas. Some indicators registered improvement over the year. According to the Federal Employment Institute, youth unemployment (under age 25) declined to an average rate of 6.5 percent, the lowest rate reported since the early 1980s. There was an overall increase in job placements. Despite a one percent drop in the number of registered job vacancies the Federal employment agencies placed almost 2 million job seekers during the year, the best result since 1979.

As in the previous year, the 1987 unemployment data revealed a continuing North-South disparity in the labor market. The southern part of Germany with its "new industries" was booming and even experiencing a shortage of skilled workers and apprentices in some sectors, e.g., the metal industry. By contrast, states in the north, harboring depressed and declining traditional industries, often experienced double-digit unemployment.

III. LABOR RELATIONS AND TRENDS IN WAGES AND WORKING CONDITIONS

Major strikes were avoided in 1987. Although 33,000 worker hours were lost to strikes, stoppages were generally short-lived and did not occur in major industries. The threat of a major strike did loom over negotiations in the metal industry, which had experienced the largest series of strikes and lockouts in the history of the Federal Republic in 1984. However, in the 1987 round last minute top-level negotiations produced a compromise settlement. Six thousand labor agreements were signed in 1987, bringing significant wage increases in many areas, as well as further reductions in weekly working time and, in some instances, introduction of unified salary schedules for blue and white collar workers and coverage for part-time workers.

Wage Developments

There is relatively little wage variation among firms or regions in Germany, since most employers belong to associations that negotiate contracts with unions on a national level. Those contracts negotiated at the regional level follow

national patterns closely. In addition, the Federal Labor Minister has the authority, upon the request of one of the parties, to extend coverage of wage and master agreements to all employers in a region or throughout the country whether or not they were a party to the original negotiations.

In 1987, wage contracts covering approximately 14 million workers expired. A further 2.6 million workers were covered by multiyear contracts that did not expire in 1987. Traditionally, German wage agreements have been negotiated on a yearly basis. This has changed rapidly since the first major breakthrough in 1984 when the parties in the metal industry agreed to a three-year contract, which they renegotiated for another three years in 1987. At present, in addition to the metal industry, workers in the public sector, transportation, printing, paper processing, wood processing, building and construction, wholesale and export trade, and private insurance are covered by multiyear contracts. Generally, working time reductions have been accompanied by multiyear contracts which provide nominal wage increases and afford employees some flexibility in implementing the reduced hours. Wage increases under contracts concluded in 1987 generally ran between 3.4 - 3.8 percent, with workers in the coal industry receiving slightly less than average at 2.8 percent. Workers covered by multiyear contracts received, on average, raises of 2.6 percent per year under the terms of those contracts. Multiyear contracts signed in 1987 brought raises of between 3.7 and 3.8 percent in the first year and between 2 and 2.5 percent in 1988 and 1989.

According to the Ministry of Labor, 16.4 million workers in Germany received an average raise of 3.4 percent in 1987. During that year, the cost of living rose 0.2 percent, producing a 3.2 percent increase in real wages, according to the Ministry. The DGB disputed this figure arguing that real increases were far lower because of increases in taxes and social security contributions.

Work Time Reduction

It has become a tenet of faith among German union leaders that reduction of weekly working time -- with the goal of a 35 hour week -- is the most effective nongovernmental method of attacking persistent high unemployment. It has largely supplanted union emphasis on early retirement schemes as the preferred job creator. In 1987, approximately one-half of the German work force had a regular working week under 40 hours, with the average declining to 39.25 hours. Additionally, 1.2

million workers were covered by contracts negotiated prior to 1987 that call for reductions in weekly working time in 1988 and 1989.

In addition to longer contracts, employers have sought greater flexibility in operating hours and work schedules in return for reduced working hours. This "flexibility" includes the right to vary working time somewhat according to need, more shift and weekend work, and greater differentiation of pay and working time among various classes of workers. Although German unions are committed to eliminating shift and weekend work and further reducing wage differentials, it is questionable whether they can pursue work time reduction and continue to resist such employer counterdemands.

The 1987 metal agreement, reached after four months of negotiations, was a good example of mutual union and employer concessions. The agreement produced a three-year contract calling for further working time reductions and greater employee flexibility in scheduling. Workers received raises of 3.7 percent, 2 percent and 2.5 percent in 1987, 1988 and 1989, respectively. Regular weekly working time will decline under terms of the master contract from 38.5 hours in 1987 to 37.5 in 1988, and to 37 hours in 1989. In addition to acceding to a three-year wage contract, union negotiators agreed to provisions granting employers greater freedom to schedule different categories of workers, the so-called "differentiation" provision. The contract also increased from two to six months, the period over which an employer is allowed to average employee hours to conform with the contractual work week. The most controversial aspect of the contract was wording that allowed Saturday work in some districts subject to approval of the Works Councils.

Shortly after the metal agreement, the Printing and Paper Workers Union (IG Druck und Papier), reached a similar agreement with the Employers Association representing the printing industry. Workers in the chemical industry joined the move to a shorter work week in 1987 with a new master contract that will reduce their regular work week from 40 to 39 hours in 1989. Volkswagen, which does not negotiate as a member of the Metal Employers Group (unlike the other auto companies), signed an agreement with IG Metall cutting the work week to 39 hours in one step.

Common Salary Scale for Blue and White Collar Workers

Unifying wage scales and job categories for blue and white collar workers has long been a goal of German unions. White collar workers are paid on a monthly basis. They are,

therefore, sheltered from the problem of short work weeks and smaller paychecks during slack periods affecting their hourly paid blue collar coworkers. Currently there is little possibility of moving from blue to white collar status. Unions realize that the key to maintaining or expanding their membership levels lies in their ability to organize white collar workers. They take this need into account when they attempt to equalize conditions, realizing that they cannot afford to alienate white collar workers while bettering the lot of their traditional constituency.

After six years of negotiations, the Chemical Workers Union (IG Chemie) reached an agreement with employers establishing a common wage scale for both groups of workers. The new contract establishes 11 pay grades, and groups the more highly skilled blue collar workers with white collar workers in the same grades. The contract avoids penalizing white collar workers with the new arrangement. Certain metal workers' districts have negotiated monthly pay for their blue collar workers, but they have not achieved integrated job classification plans.

Part-Time Workers and Apprentices

Traditionally, German unions have not concerned themselves with part-time workers. Many contracts exclude workers from coverage if they work less than half of the regular weekly hours. Recently, however, a number of unions have recognized the need to organize this growing segment of the work force. In 1987, new contracts covered part-time workers in the chemical industry, public service, coal mining, and at Volkswagen.

Wages for apprentices vary considerably from industry to industry, ranging from DM 190 in the women's clothing industry to DM 979 per month in coal mining. On the average, apprentices received raises of 3.3 percent in 1987. Working time reductions were applied to apprentices for the first time in the 1987 Metal Industry Contract.

IV. GOVERNMENT-LABOR RELATIONS AND INTERNAL UNION DEVELOPMENTS

Compared to the turbulence that had shaken organized labor in the previous year, 1987 was a relatively quiet one for the German unions, both in their relationship with the government and internal union developments. While the unions were still on the defensive in some areas, there were increasing union efforts to come to grips with future challenges. After the voters returned the governing Christian Democratic Union/

Christian Social Union/Free Democratic Party coalition to office in late January, the DGB and the conservative Kohl government tried to mend their troubled relations. After a peaceful summer, however, tensions grew again when major umbrella union organizations began to mount campaigns to protest the government's stance on several economic and social issues. As a consequence of the Neue Heimat scandal, DGB unions started to sell off the lion's share of their nonprofit enterprises and restructure the remaining companies. In addition to economic disengagement, union leaders tried to develop responses to future challenges stemming from structural adjustment in the economy. The unions focused on special organization drives to recruit white collar personnel notably from middle and small enterprises in high tech industry and the service sector. Furthermore, in order to attract more female workers, nearly all unions -- with varying degrees of enthusiasm -- instituted affirmative action plans. Organized labor even abandoned its long-held opposition to the emerging new trends in management relations, such as quality circles. Neither the DGB nor any of its 17 affiliated unions held congresses during the year. (Two held interim congresses but no elections). The 1987 congresses of two independent labor organizations were characterized by generational changes in the leadership.

Renewed Tensions with the Government

In early 1987, the federal election results produced more concern than satisfaction among union circles. Although organized labor had kept a low profile during the final phase of the election campaign and abstained from active campaigning for the labor-orientated Social Democratic Party (SPD), political observers attributed the SPD's losses to the Party's close association with DGB unions during the Neue Heimat Affair. Commenting on the victory of the CDU/CSU, union leaders claimed that its reduced margin of victory was a "warning" from the electorate to shift to more pro-worker policies. Unspoken, but even more serious, was labor's concern about the heightened influence in the government of the junior coalition party, Free Democratic Party (FDP). The FDP had indicated that it would oppose the extension of the coal-steel "parity" codetermination law (the law providing the most effective labor voice in management decisions), and weaken the existing works council system by granting senior white collar staff a parallel body. In addition, the FDP had proposed that the health care reform package shift part of the cost burden to insured patients. In a last ditch effort to influence the coalition negotiations, organized labor sent out a 27-page paper on DGB policy proposals to Chancellor Kohl and the

Bundestag leaders of the coalition parties, indicating willingness for face-to-face meetings. The final results brought some good news for organized labor. DGB leaders were gratified by the government's decision to preserve parity codetermination in the coal-steel sector, albeit with numerous changes in the existing law due to expire at the end of 1987. The governing coalition also decided to amend the Works Constitution Act to give works councils consultation rights -- short of full codetermination -- prior to the introduction of new technology. Despite the opposition of organized labor, the government decided to draft new legislation strengthening the rights of minority groups in works councils and establishing separate plant-level consultation bodies for senior white collar personnel.

Although DGB leaders commented very carefully on the coalition agreement, it became clear that, all in all, the unions were pleasantly surprised. Several union leaders publicly praised the Christian Democratic Union (CDU) and its labor wing, CDA, for their role in preserving full parity codetermination. In an apparent attempt to return to good working relations with the Kohl government, the three top DGB leaders met with the Chancellor for "constructive talks" that centered on the coal-steel crisis and the government's planned measures to reduce unemployment. The two sides also agreed to relaunch a working group on pension reform and to meet regularly for a direct exchange of views.

After a quiet summer "honeymoon", however, the DGB and its member unions began to mount campaigns to challenge the Kohl government on a variety of economic issues, including the government's tax reform plan and its waning support for the coal and steel industries and their workers, as well as government proposals to restructure German railway and postal services. Top level meetings between the DGB unions and the Kohl government served only to highlight differences between organized labor and the government over the tax reform proposals. Another source of union dissatisfaction with government economic policies was the government's unwillingness to concede the unions' demand for long-term guarantees for German hard coal mining and domestic steel production. The two DGB unions representing these industries -- the Mine Workers (IGBE) and the Metalworkers Union (IG Metall) -- held a joint congress and sponsored a mass rally in Essen, the biggest city in the Ruhr area, in early fall. Government plans to partially deregulate the monopoly of the German postal and tele-communication service and restructure the railway system also caused harsh reactions from the affected DGB unions -- the German Postal Workers (DPG) and the Railway Workers Union (GdED). At year's end, however, it became evident that labor

was confronted with a dilemma. Despite its disagreements with the Kohl government, it needed the national government's financial and political support to realize bailout plans for the steel and coal industries. The unions were also counting on the state governments -- seven of which were controlled by the ruling CDU/CSU -- to help bail them out of the disastrous collapse of their housing conglomerate, Neue Heimat, where bankruptcy is still a possibility. Labor could not bite the hand that it hoped would feed it -- at least not too hard.

Cleaning up Old Problems and Moving to New Frontiers

In early 1987, as a consequence of 1986 congress resolutions, DGB leaders held two closed door meetings to discuss the future of labor's nonprofit enterprise "Gemeinwirtschaft" and its future stance on the nuclear energy issue. Ending speculation that DGB unions would seek an early sell-off of their enterprises in the wake of the Neue Heimat affair, union leaders opted for a gradual withdrawal from operating business activities through the 80's. After the meeting, DGB President Breit told the press that the unions would not engage in a "closeout sale" but would carry out a gradual and careful disengagement in order to preserve "genuine trade union activities" and raise the additional funds eventually needed to wind up Neue Heimat. While planning to shed majority interests and the accompanying risks, the union chiefs agreed that the DGB's holding company, BGAG, would retain minority holdings in most existing DGB enterprises.

By year's end, BGAG had transferred its NH holdings in North Rhine-Westphalia, Bremen, Hamburg, and Hesse to the governments in those states, where plans had been developed to sell as many of the apartments as possible to the current tenants or to private business. In the case of the DGB's insurance company, Volksfuersorge, there were negotiations carried out with the R&V Company to sell in the neighborhood of 75 percent of its stocks. (Originally, the DGB had only planned to sell 50 percent plus one share of the stock.)

At another closed door meeting, the DGB executive board (nine managing board members and the presidents of its 17 affiliates), discussed nuclear energy issues in light of resolutions adopted at the 1986 DGB congress and subsequent internal criticism of those decisions. The union leaders advocated continuing use of nuclear power until the 2000-2010 period for "ecological, social and economic reasons" and opposed the alternatives of immediate or short-term abandonment of nuclear energy. The union leaders also adopted a set of 10 basic energy demands, sending them to Chancellor Kohl. The DGB

gave top priority to energy saving measures, but also called for a halt to construction of the fast breeder project in Kalkar and the nuclear waste reprocessing plant in Wackersdorf. Furthermore, in early summer two major DGB unions -- the Public Service and Transport Workers (OeTV) and the Chemical Workers Union (IG Chemie) -- reversed their previous antinuclear position by concluding that the country could not abandon nuclear power before the middle of the next century.

In 1987, organized labor reported slight membership losses. The decline was notably among blue collar workers (which the unions attributed to the effects of structural adjustment) and civil servants. On the plus side, the unions were successful in increasing their membership among white collar workers and working women -- according to union sources, the first result of their strategies to organize white collar workers and grant women a greater role in the unions' hierarchies.

Although nearly all DGB unions have adopted affirmative action plans, realities did not always match expectations raised in the resolutions. For example, the DGB Construction Workers' Union (IGBSE) held its first ever women's conference in the fall, mandated by a 1986 union congress resolution. Speakers criticized the union's resistance to advancing female employees and its failure to provide sufficient relevant information to the rank and file. The internal peace was also disturbed within the Chemical Workers' Union when President Hermann Rappe boycotted a farewell reception for the union's only female board member. She had criticized the union's abolishment of its women's conference and talked with the press about the difficulty of promoting equal rights for women within the union. This incident followed a controversy at DGB headquarters that led to the resignation of all of the female members of the works council representing headquarters employees. The women were protesting the board's election of a male chairman to replace the female incumbent, despite the fact that she had received a higher vote from DGB employees than any other candidate. The (male) majority of the works council also angered the female members by refusing to discuss the implementation of affirmative action programs mandated by the last DGB congress.

Other DGB unions stepped up their efforts to organize white collar workers and held special conferences during the year where delegates discussed union answers to future developments. Notably the biggest and most powerful of all 17 DGB unions, the 2.6 million member IG Metall took the lead to meet what a senior union leader termed the "unions' greatest future challenge" -- organizing white collar workers. The rapid

structural change in the metal and steel industries has resulted in a pronounced under representation of white collar workers in IG Metall's ranks. While white collar workers in the old smokestack industries are relatively highly organized, those in the new, expanding high tech industries (primarily located in the south) have shown little inclination to join the union. Under an unprecedented campaign involving shop stewards, works councillors, and rank and file members, IG Metall leadership seeks to organize the so-called "technical intelligentsia": technicians, engineers and scientists in the high tech sector.

The emerging trend of quality circles, notably in the German automobile industry, drew mixed reactions from labor leaders and rank and file members. While innovative union leaders (like IG Metall President Franz Steinkuehler) favored a prudent dialogue with "progressive" employers under a variety of codetermination and participation models instead of outright confrontation, politically militant union members argued that these new forms of labor-management relations might limit "freedom of action" and make organized labor irrelevant in the long run.

Union Congresses

While 1986 produced a bumper crop of congresses, 1987 was quiet in that respect. Two DGB unions held statutory congresses: the Printing Workers discussed the further procedures to be taken for a merger with the Entertainment Workers' Union in 1989, and the Mine Workers used the occasion of an interim congress to feature their rescue concept for the crisis-shaken hard coal industry.

The congresses of two independent umbrella union organizations witnessed generational changes of leadership when the incumbent presidents retired after twenty years in office and younger leaders moved up. The German Salaried Employees' Union (DAG) held its 14th statutory congress in late September. The 200 delegates elected former vice president Roland Issen as new president and brought four new members onto the managing board. The new president expressed his willingness to continue the prudent course of his predecessor, Hermann Brandt, through cooperation with government and employers, and as a new move, seeking "intensified" relations with DGB unions. The Confederation of German Civil Servants (DBB) elected a new president at its November congress in Bonn. Werner Hagedorn, head of the German Tax Employees' Union, took over from retiring Alfred Krause. Hagedorn pledged that the organization would adopt a "more union-like political course," specifically

stepping up organizing efforts among blue and white collar workers. The convention rebuffed efforts to promote female representation in the leadership, defeating a leadership-sponsored resolution that would have created an additional top position designated specifically for a woman.

At the biennial congress of the CDU party labor wing CDA, Labor Minister Norbert Bluem resigned after ten years as CDA chairman. The delegates elected Berlin Senator for Social Affairs, Ulf Fink as new president. In his inaugural address, Fink indicated that CDA would develop an "independent profile" on social and economic policy issues. Following Fink's lead, the delegates adopted several resolutions challenging the government's policy line on old-age pension, health care, and tax reform, as well as on employment creation programs. The attendance of a record number of top level leaders from DGB and independent unions demonstrated organized labor's desires to improve relations with the CDU labor wing that had been damaged in the battle over amendment of the so-called "strike paragraph" in 1986.

V. INTERNATIONAL ACTIVITIES

German trade unions have the resources and the commitment necessary for serious involvement in the international trade union movement. The depth and the effectiveness of this commitment can be seen in the number of important positions in international trade union organizations held by German labor leaders. Complementing their extensive involvement in multilateral western trade union organizations, the DGB and its member unions have established bilateral relations with free trade union federations and individual unions in all industrial democracies and in many third world countries. German unions also have extensive relations with labor organizations in Eastern Europe, the Soviet Union, and the People's Republic of China. Unions in the Federal Republic of Germany are generally in the forefront of international solidarity and assistance campaigns. Union leaders frequently speak out on a variety of international questions, and union conventions regularly adopt positions on current international issues. Peace, disarmament, and apartheid are among the issues most frequently addressed at union conferences.

Bilateral and Multilateral Contacts

The leading role played by German unions in international labor organizations allows for extensive contacts at all levels with their western, democratic counterparts. These contacts are in

addition to bilateral meetings, exchanges, and other programs. German trade union officials head the ETUC, the Building and Wood Workers International, the International Federation of Chemical and General Workers Unions, the International Graphical Federation, the International Metalworkers Federation, and the International Union of Food and Allied Workers Associations. Additionally, several German union presidents head their respective European industrial secretariats.

German involvement in multilateral labor organizations generally excludes any cooperation with labor organizations in Eastern Europe or the Soviet Union. One exception to this has been the Printing and Paper Workers Union which, through its international trade secretariat International Graphical Federation, has held a number of conferences involving Eastern European worker organizations. Printing Workers President, Erwin Ferlemann, is also president of the International. The DGB Railway Workers Union (Gewerkschaft der Eisenbahner Deutschlands) also carries out multilateral programs with the Soviet Bloc. Railway Union President, Ernst Haar, is also chairman of the East-West Seminar of Railway Unions, an organization ostensibly created to discuss problems related to the railway industries in eastern and western Europe.

Although German unions generally, and the DGB particularly, avoid multilateral contact with Communist worker organizations, the situation is very different for bilateral contacts. Unions ranging from the relatively conservative to the more left wing carried out bilateral exchanges with organizations in Eastern Europe and the Soviet Union and, to a lesser extent, the People's Republic of China. The great majority were with East German groups. Although these programs, which occur at the youth and senior level, are supposed to generate discussion on specific trade union issues, it is not clear what the DGB unions could learn from the East. Exchanges and conferences generally included ritual statements calling for peace and disarmament.

DGB relations with the East German FDGB were strengthened in 1987. For the first time, a DGB Managing Board Member, Gustav Fehrenbach, attended a Congress of the East German organization. Also in 1987, the DGB and FDGB signed a detailed exchange agreement that called for reciprocal visits from managing board members, a visit of the FDGB's Women's Committee to the Federal Republic, and regional, youth, and holiday exchanges.

Relations with labor organizations in the Soviet Union were extensive, but not so close nor so formalized as those with East Germany. In a curious and unsuccessful move, the Soviets did try to create an agreement similar to the DGB-FDGB accord. The Secretary of the Presidium of the All Union Central Council of Trade Unions, Victor Mischin, on a visit to Germany announced at a press conference that he hoped for an agreement with the DGB that would produce, among other things, the establishment of exchanges of workers between "partner factories" in the Federal Republic of Germany and the Soviet Union. The DGB never responded to this proposal and there was no mention of it when DGB Chairman Breit visited Moscow some months later.

German union ties with their American counterparts are close and would be closer if the German unions had their way. A number of individual unions as well as DGB central bodies are seeking to establish regular exchange programs with U.S. partners. The presidents of the AFL-CIO and the DGB meet regularly to discuss international and bilateral issues. A special U.S.-German commission has been established to deal with the question of the labor relations practices of German firms operating in the United States. Committee members met in the Federal Republic of Germany in mid-1987. A new union youth exchange program between the Public Service and Transport Workers Union (OeTV) and the American Federation of State, County and Municipal Employees (AFSCME), AFL-CIO was launched in 1987. As the first step in the program, AFSCME hosted 15 young OeTV leaders in the United States. German unions are eager to step up contacts with their U.S. colleagues, and they are at the same time concerned that certain economic and political trends evident in America will be exported to the Federal Republic. The move towards deregulation in key sectors of the American economy is seen with great skepticism by many German union leaders. A Consumer Federation of America study on the supposed disadvantages of deregulation in telecommunications received considerable attention in the union press, for example.

International Solidarity

Through resolutions, contacts, and material support, German labor showed its concern for black trade unions in South Africa. The level of support and activity increased considerably in 1987. The case of the Sharpville Six, who were condemned to death for involvement in the murder of a black township official, generated a great deal of activity. A number of unions, in addition to the DGB itself, raised funds to support unions in South Africa including the Mineworkers,

Commerce, Banking and Insurance Workers Union (HBV), the Food and Beverage Workers Union (NGG), the Building and Construction Workers, and the Chemical Workers (IG Chemie). The Mineworkers Union announced that its contributions to the South African National Union of Mineworkers had reached DM 1 million.

DGB president Ernst Breit and Miners' president Heinz Werner Meyer visited South Africa. OeTV president Wulf-Mathies was arrested for protesting at the South African Embassy in Bonn. The Metalworkers' Union (IG Metall) used its presence on the managing board of Daimler-Benz to pressure the company to settle a strike of black workers at its South African subsidiary.

The state of political and trade union rights in Chile and Turkey was also a frequent subject of concern to German unions. Several trade union delegations visited Turkey during the course of 1987. Union officials remained critical of the Turkish government's record on trade union rights. The DGB went so far as to pass a resolution opposing Turkish entry into the EC until treatment of unions improved.

VI. SOCIAL NET DEVELOPMENTS

There is consensus among government, organized labor, and management that social stability and social peace require a reliable and solvent social welfare system. Thus, the country's comprehensive social net provides generous social benefits. Its spiraling costs, however, accelerated by a "consumer mentality" of insured persons and providers, has become a matter of increasing concern. Although the Kohl government had tried to halt the mounting costs by trimming some benefits and raising contribution rates during the past five years, the total annual expenditures of the overall social budget rose to a record high of 630 billion DM in 1987 -- an increase of 26 billion DM over 1986. The payroll-based social security taxes for the health, unemployment, and old-age pension systems, borne equally by employers and employees, increased to more than 35 percent of workers' monthly earnings -- the highest contribution rate in the country's history.

There were several reasons for the spiraling costs. Generous benefits under the various social welfare systems have stimulated increasing demand for them. The high cost of medical technology and the rising numbers of senior citizens have added their share to the cost burden. Although the coalition agreement from early 1987 pledged the government to refrain from new social legislation that would increase social

spending until 1989, the government did increase benefits for families. Mandated by the coalition agreement in March, the Kohl government shifted its attention to health care reform and assigned Labor Minister Bluem to prepare draft legislation by the end of 1987. The preliminary draft, sent to interest groups for their comments and recommendations in early December, received sharp criticism. While all political circles agreed in principle "that something has to be done," each found its sacrifice "too burdensome." The problem of mounting costs was even more acute in the general welfare programs administered by state and local governments. According to preliminary data provided by the Federal Statistical Office, welfare spending in 1987 increased over 8 percent, to 25.1 billion DM. The number of welfare recipients grew by almost 10 percent to over 3 million, of which 40 percent were unemployed persons who had either exhausted or were not entitled to statutory unemployment benefits. The Statistical Office's study also revealed that a "typical" welfare beneficiary lives in a family with one or more unemployed persons, generally in the economically depressed areas in Northern Germany.

The Issue is Health Care Reform

In 1987 more than 90 percent of the German population was covered under mandatory health care programs administered by a network of some 200 independent carriers. Financed by payroll and pension taxes, the system provides for comprehensive coverage for active workers and their families, and retired persons. The rising costs of drugs and treatment, combined with high and growing numbers of older citizens needing health care, intensified pressures on the health care insurance funds last year. Total health care expenditures rose by 4.3 percent to an estimated 124.6 billion DM in 1987 (a fivefold increase compared with 1960, when total health care expenditures amounted to 27.1 billion DM). The autonomously-administered health care funds reported revenue increases of about 7 billion DM for last year (reflecting increases in both contributions and contribution rates), just enough to avoid a further deficit.

In 1970 the average payroll tax for mandatory health care insurance funds was eight percent. Seventeen years later, the contributions had climbed to an average of 12.8 percent. Some local health care carriers in the economically depressed regions, however, had to raise their contributions to over 16 percent to compensate for the shortfall of revenues due to high unemployment. In explaining the unbroken chain of growth of health care costs, social security experts cited a combination of several factors, including the high cost of medical

technology and the rising numbers of senior citizens. Per capita health care costs of retired persons rose further in 1987, representing almost 155 percent of the average costs for other beneficiaries.

The lavish health care system has produced a vicious circle. Generous outlays for prescription drugs and medications (virtually free of charge for patients) and easy access to lengthy hospital stays have created a "consumer mentality" among the insured. This mind set, moreover, has a counterpart on the provider side. The system covers virtually all costs for the patients. The health care providers, in annual negotiations with the carriers, set and adjust upward the rates for hospitals, the fees of doctors, and drug prices in the pharmaceutical industry. Since the general public fears that tight cost controls could lead to reduced quality of health care, there is little incentive to change the prevailing system. However, mandated by the coalition agreement establishing the Kohl government in early 1987, Labor Minister Bluem started a jawboning exercise to restructure the generous and costly health care insurance system. Not surprisingly, the first draft issued in early December -- aimed at savings of some 14.7 billion DM or 10 percent of annual total expenditures -- caused heavy sniping and outcries of protest from labor, management, opposition parties, and interest groups.

Although the government proposal was a modest "adjustment" rather than a genuine reform, each side deplored the particular sacrifice which Bluem's draft imposed on their clientele. (Well into 1988 the issue was still a long way from resolution.)

Old Age Pensions in the Black

The other main pillar of the social net, the mandatory old-age pension system, remained in financially good shape in 1987, largely because the government had successfully embarked on an efficient cost containment exercise during the previous five years. As part of this effort, the government had introduced health care contributions for old age pensioners and limited the annual adjustment in payments by basing it on the previous year's increase in wages and salaries. In midyear, the government raised old age pension payments by 3.03 percent. The nominal increase was 3.8 percent, but 0.7 percent was deducted to increase pensioners health care contributions. Despite reduction in the monthly old age pension contribution from 19.2 to 18.7 percent (equally borne by employers and employees) at the beginning of the year, the old age pension fund was able to increase its reserve from 1.5 months to 1.8 month's average expenditures. According to social security

experts, the pension system will remain solvent until the early 1990's when the country's aging population will require a structural reform of the current system to meet future demographic changes. There was consensus among government, political parties, labor, and management that a reform should be developed along the lines of the current system. To keep the system afloat, all experts proposed to follow a three pronged approach: slightly increasing the monthly contributions; basing the annual adjustment on the net income of the previous year; and increasing the federal subsidy from currently 17.5 percent to 20 percent of annual pension payments.

Finally, to fulfill its preelection promise the Kohl government granted "baby year" pension rights to mothers born before 1921 on a gradual basis. All of these women will ultimately receive a monthly pension supplement of DM 27. During the election campaign 1986-87, the opposition parties had criticized the government for postponing the inclusion of older women (the so-called "rubble-clearing women" or "Truemmerfrauen" -- a reference to the experience of WWII and its aftermath) from the "baby year" provision).

VII. APPENDIX

A. EMPLOYMENT IN THE FEDERAL REPUBLIC OF GERMANY*
(Figures in 1000s)

	1986	1987	Changes
Labor Force**	28,022	28,200	+ 178
Employed Persons**	25,794	25,971	+ 177
-- Dependent Employed	22,527	22,707	+ 180
-- Self Employed/ Family Helpers	3,267	3,264	- 3
Categories of Dependent Employed**			
-- Blue Collar Workers	10,186	10,084	- 102
-- White Collar Workers	9,913	10,203	+ 290
-- Civil Servants	2,416	2,420	+ 4
Sectoral Employment**			
-- Goods Producing	10,544	10,523	- 21
-- Services Producing	9,219	9,419	+ 200
-- Others	6,023	6,029	+ 6

*Estimated and Provisional
**Including Armed Forces

Source: Federal Statistical Office, Wiesbaden

B. GERMAN UNION MEMBERSHIP 1987 YEAR END

		Changes
German Trade Union Federation (DGB)	7,757,039	- 7,658
Chemical, Paper, and Ceramics Workers	655,776	+ 2,000
Commerce, Banking and Insurance Workers	385,166	+ 8,668
Construction Workers	475,575	- 9,480
Entertainment Workers	28,440	+ 306
Farm and Forestry Workers	43,253	+ 388
Food and Beverage Workers	267,555	+ 1,547
Leather Workers	47,659	- 673
Metalworkers	2,609,247	+ 10,924
Mine and Energy Workers	347,528	- 7,673
Police	158,888	- 3,664
Postal Workers	463,757	+ 605
Printing and Paper Workers	145,054	+ 1,670
Public Service and Transport Workers	1,202,629	+ 4,062
Railway Workers	340,095	- 11,313
Teachers	188,861	- 3,658
Textile Workers	254,417	- 1,552
Wood and Plastic Workers	143,139	+ 185
German Salaried Employees' Union (DAG)	494,126	- 7,883
Confederation of Civil Service Officials (DBB)	785,576	+ 3,517
Christian Trade Union Confederation (CGB)	307,529	+ 58
TOTAL	9,344,270	- 11,966

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